



MODULE	GR:	General Requirements
CHAPTER	GR-5A:	General Requirements for Financing-Based Crowdfunding Platform Operators

GR-5A.1 General Requirements for Financing-Based Crowdfunding Platform Operators

GR-5A.1.1 A crowdfunding platform operator must become a member of the Bahrain Credit Reference Bureau.

GR-5A.1.2 A crowdfunding platform operator must make arrangements with a local retail bank (which holds the appropriate CBB license) to facilitate transactions, whereby:

- i. Lenders must prefund the full committed amount by depositing it at the designated licensed retail bank in the Kingdom of Bahrain. The name of the retail bank must be disclosed to the CBB; and
- ii. The crowdfunding platform operator must designate an escrow account as an aggregate account for all borrowers. The crowdfunding platform operator must maintain within its records separate sub-accounts for each borrower. The name of the designated bank must be provided to the lenders.

GR-5A.1.3 Crowdfunding platform operators must make sure that the lending thresholds and the prescribed tenors for the loans, as prescribed in GR-5A.1.3 to GR-5A.1.6, are all met.

GR-5A.1.4 Under a crowdfunding agreement, the amount of credit provided must be less than or equal to BD 500,000 ~~100,000~~ in aggregate, per borrower, in any given calendar year ~~within a 12-month period~~, except where subject to the CBB's prior written approval, the funding raised is to be used for a Government of Bahrain-led initiative/project. Additionally, the tenor of loans must not exceed 5 years.

GR-5A.1.5 ~~Under a crowdfunding agreement, lenders are restricted to lending not more than 10% of their net assets to any single borrower.~~ All lenders intending to participate in a crowdfunding platform must fill out the 'Self Declaration Form' declaring that they meet this requirement.

GR-5A.1.6 The minimum subscription to be received in a crowdfunding offer must not be less than 80% of the crowdfunding offer size. In the event that the borrower is unable to receive the minimum required loan subscription, all subscription monies received must be refunded to the lenders no later than 7 calendar days of the closing date of the crowdfunding offer.



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GR-5A.1 General Requirements for Financing-Based Crowdfunding Platform Operators (continued)

GR-5A.1.7

In case of over-subscription, crowdfunding platform operator must ensure that no funding shall be made to the borrower in excess of the original offer size. Also, the lenders must get proportionate share of the Crowdfunding offer size.

GR-5A.1.8

The lender in a crowdfunding agreement must be an accredited investor or an expert investor individual (as defined in the CBB Rulebook, Volume 4). ~~while the borrower must be a small or medium sized business (SME) with paid-up capital not exceeding BD 250,000.~~

GR-5A.1.9

Crowdfunding platform operator are responsible to check that the ‘Self-Declaration’ form¹ has been signed and submitted by the lenders, prior to investing in borrowings arranged through the platform.

GR-5A.1.10

The ‘Self-Declaration Form’ must include, amongst other things, a declaration that the lender will meet the lending thresholds imposed by the CBB and an acknowledgment that they may lose all or part of their funds invested.

GR-5A.1.11

Crowdfunding platform operators must demonstrate to the CBB that they have devised appropriate consumer protection standards.

GR-5A.1.11A

Crowdfunding platform operators must allow persons (whether natural or legal) who commit to a borrower on a crowdfunding platform, a minimum of 48 hours from the time the commitment is made, to withdraw the commitment. No fee or penalty must be charged to such persons if a commitment is withdrawn.

GR-5A.1.12

Crowdfunding platform operator must ensure that sufficient information is available to lenders on the profiles of the borrowers, by relying on the information disclosed by the borrowers in the ‘Standard Forms for Borrowers’ and the related required documents to be submitted by the borrowers, thus allowing lenders to make informed lending decisions. Moreover, the documentation must state the governing law for the financing transaction. The disclosure of such information shall be on standard CBB-prescribed templates. Additionally, such information must be provided to potential lenders before they agree to commit to lending. In cases where the borrower is not based in the Kingdom of Bahrain, adequate disclosure on the governing law and cross-border risks must be provided to the potential lenders.